Project Narrative

The State of Vermont has a long history of proactively addressing health care delivery and health care system financing. In 1992 the Vermont General Assembly mandated that the individual and small group health insurance markets be community rated and sold on a guaranteed issue basis. Vermont's public programs likewise provide high-quality, affordable health care to a wide range of its citizens. In 1989 Vermont implemented the Dr. Dynasaur program, which now serves children in families with income below 300% FPL, and in 1995 the Vermont Health Access Plan (VHAP) began providing coverage for childless adults up to 150% FPL and adults with children up to 185% FPL.

More recently, in 2006, the Vermont General Assembly passed Act 191, An Act Relating to Health Care Affordability for Vermonters. Act 191 had three primary goals: increase health care access, improve health care quality, and contain health care costs. Most relevant to this grant application, Act 191 created the Catamount Health program. Catamount Health, a private insurance product offered by two Vermont non-profit insurance carriers[1], is available to Vermonters who have been uninsured for 12 or more months.[2] For individuals with incomes below 300% FPL, a premium subsidy is available on a sliding scale. Additionally, Act 191 created an income-sensitive subsidy for certain individuals with access to employer-sponsored insurance.

Catamount Health (and the employer-sponsored insurance premium assistance program), significantly expanded existing programs, and implementation was the culmination of a highly successful partnership among several state agencies (including

[1] Blue Cross Blue Shield of Vermont and MVP Health Plan.
[2] There are several exceptions to the 12 month uninsured requirement, such as losing health care due to loss of employment or divorce. See 8 V.S.A. § 4080f.

the Department of Vermont Health Access[3] (DVHA) and the Department of Banking, Insurance, Securities, and Health Care Administration (BISHCA)), private insurance carriers, and many community organizations. This strong working partnership still exists today and puts Vermont in an excellent position to create an American Health Benefit Exchange pursuant to the Affordable Care Act of 2010.

This grant application is the result of the collaborative effort of DVHA and BISHCA. It should be understood that in the nature of all planning, questions identified as key issues today may change as answers are revealed by research undertaken. In this grant application we attempt to identify where we are today in our priorities and analysis, but we emphasize that it is our intention to use our research and analysis to inform further planning to ensure the best possible health insurance Exchange for Vermonters. As a small state, Vermont faces unique challenges relating to market fragmentation and destabilization, and the Exchange creation process must be acutely focused on these risks. Below, we address the nine topics identified in the grant application. Topics preceded by an underline indicate specific areas where we hope to utilize grant funding.

a. Background Research

Generally, Vermont has very robust data on our health care delivery and financing systems. Vermont has created a multi-payer database that provides detailed information about claims paid by private insurers and Medicaid. Health insurers in Vermont must submit supplemental market data regarding enrollment and premiums collected in the comprehensive health insurance market (including the small group and nongroup markets). Vermont publishes ever-expanding sets of hospital quality and pricing data. Vermont collects and analyzes extensive data relating to inpatient and outpatient hospital

[3] The Department of Vermont Health Access was the Office of Vermont Health Access until July 1, 2010.

budgets, as well as extensive categories of data about beneficiaries of state-sponsored health care programs, such as individual income and sources, demographics, and health care utilization. However, the creation of an Exchange will require a greater understanding of our health insurance market and our health care delivery system.

DVHA is already in the process of working with our legislative Joint Fiscal Office to estimate enrollment in 2014 in health care programs and Exchange plans and to estimate cost/savings to Vermont under the new structure. Below we identify some areas where we currently anticipate the additional need for study.

Roadmap for Planning for the Exchange: Although the projects listed below must occur, as a preliminary step Vermont intends to enter into a short-term contract with an entity to assist us in identifying the most critical policy decisions that must be made and the anticipated order in which such decisions should be made. This contract will result in an essential framework for all other planning activities.

Uninsured and Underinsured: In 2000, 2005, 2008, and 2009, BISHCA contracted to conduct a comprehensive survey of Vermonters to determine their insurance status, as well as their income and other circumstances. The 2009 survey results revealed that Vermont's health care reform efforts have been successful in reducing the number of uninsured Vermonters, even in the face of higher unemployment due to the recession. From 2005 to 2009, Vermont's uninsured rate decreased from 9.8% to 7.6%, leaving a total of 47,460 individuals still uninsured. Of the 47,460 uninsured individuals, 53% are eligible for, but not enrolled in, Vermont's existing public health care programs. Vermont intends to build on this research to understand not only the uninsured, but also to gain a greater understanding of the underinsured and how the

availability of insurance through the Exchange (and the impact of the grandfathering regulations) may impact Vermonters. We are also interested in more completely understanding why individuals eligible for current programs have not accessed those programs, in the hopes that such lessons will inform a better design for the Exchange.

Current insurance market: All health insurance rates charged and forms sold in Vermont must be approved by BISHCA prior to implementation. However, Vermont generally does not collect product-specific data once a product form is approved for sale, nor does Vermont currently fully understand the breadth of the "limited benefit" insurance market. Some additional study of the quality and type of health insurance coverage, both from the carrier perspective and the insured perspective, should help inform the development of the Exchange and the appropriate regulatory environment implementing the Exchange (and the market that will exist outside of the Exchange).

Further, we need to understand the impact of numerous decisions that must be made prior to implementation of the Exchange. Examples of such questions include: 1) What would be the impact of changing the definition of "small employer" from 50 to 100 employees prior to 2016? 2) What would be the impact of having an open enrollment period in Vermont? 3) How will the grandfather rules and regulations impact our insurance market going forward? 4) What would be the impact on the insurance market of allowing a catastrophic plan for individuals under age 30? 5) How aggressive should Vermont be in defining standards for plans offered both inside and outside of the Exchange? 6) How will Vermont mitigate the potential for adverse selection?

b. Stakeholder Involvement

Vermont is in the process of organizing a series of stakeholder meetings to gather information pertaining to different interest groups' goals for, and concerns about, an Exchange. These stakeholders include key legislators, health insurers, independent agents and brokers, "exempt" associations,[4] the Health Care Ombudsman, health care provider trade organizations, large and small employers, the Public Oversight Commission, current VHAP and Catamount Health premium subsidy beneficiaries, current privately insured individuals (particularly in the nongroup market) and consumer advocacy organizations. Not only will these conversations help guide the development of the goals of Vermont's Exchange, but will likely also inform the best approach to consumer education, marketing initiatives, and the navigator program. In light of Vermont's consistent commitment to public process, we anticipate this stakeholder dialogue to continue throughout the Exchange development process. All sites for stakeholder meetings and focus groups will meet ADA requirements for accessibility.

Formal stakeholder study: In addition to the above-noted, ongoing stakeholder meetings, Vermont is also interested in formally obtaining stakeholder input across different perspectives through the use of a contractor and a defined analytical process for evaluating stakeholder feedback. The key questions to be answered include: 1) What are your current greatest struggles with health care delivery and health care financing? 2) What are the most important elements you would like to see in an Exchange? and 3) How could the state best encourage and facilitate your use of the Exchange?

c. Program Integration

[4] Vermont's unique association market is by definition "small group" insurance and encompasses a large percentage of the impacted market.

Program integration will be a guiding principal in the development of Vermont's Exchange. Vermont currently has an integrated eligibility system to provide Medicaid, CHIP, VHAP, Catamount Health premium assistance, and employer-sponsored insurance premium assistance to individuals; all programs are included under the umbrella name of "Green Mountain Care." Individuals may use a screening tool on the Green Mountain Care website to determine their potential eligibility for state-sponsored coverage, and may download a simplified application form; eligibility for any of the above programs is determined based on the completed application. Beginning this fall, individuals will be able to complete and submit applications on line. Vermont's automated eligibility system transmits Catamount Health enrollment and disenrollment data to insurance carriers via the HIPAA-compliant 834 format, and premium payments to the carriers are transmitted by EFT with accompanying remittance via HIPAA-compliant 820 format. The eligibility system currently has automated verification processes in place, such as Bendex, IRS 1099, new-hire wage match, quarterly wage match, PARIS, and unemployment insurance.

We plan to build on our current capacities as described above to incorporate Exchange functions, such as MAGI verification, eligibility determination for tax subsidies, eligibility for waiver of the mandate, exemption from the requirement to enroll in an employer plan, electronic communication with insurance plans and employers, and SHOP functions.

Assessment of current programs and integration opportunities: We hope to contract with an outside vendor to develop a comprehensive assessment of health care benefit programs across the public and private sectors with the ultimate goal of

standardizing benefit packages as much as possible (recognizing the complete standardization may not be possible). Where such integration is not feasible, Vermont may also examine the best methods to explain benefit and program feature differences so that people can clearly understand these differences and make the best choices in light of their circumstances, and so that policy decisions can be informed by these differences. We may also be interested in studying how different populations interact with health coverage distribution channels and whether, beyond benefit integration, communication tools associated with the acquisition of health care coverage need to be standardized or customized for specific populations.

Formal assessment of "churning": Vermont, as most states, experiences a large volume of "churning" where individuals move between different programs on a sometimes monthly basis because of moderate changes in income or familial circumstances or failure to pay premiums. We would like to develop strategies aimed at decreasing the "churn" rate, since frequent movement on and off our existing programs has been disruptive to beneficiaries and program administrators alike and will remain an issue when the Exchange is operational.

d. Resources and Capabilities

Numerous functions envisioned by the Exchange are currently performed by BISHCA or DVHA, and our private and public health coverage markets are beginning to integrate. However, new functionality will need to be developed. Currently, conceptual approaches to manage these new functions are being discussed, but are still in the preliminary stages, since details about Exchanges remain to be established, and numerous questions remain unanswered. It is quite clear that current staff and organizational

structures will not be sufficient to run an insurance Exchange as defined in the ACA. Although the Legislature and the in-coming Governor will ultimately decide what structure the Exchange will take, it is the goal of the DVHA and BISHCA team to create a proposal to provide a framework for that discussion. Much of this work is being done with current state resources, with the exception of the considerable increase in travel funding needed to provide education to state staff.

Formal assessment of organizational models, including assessment of policy and fiscal implications of different models: We hope to contract with an outside consultant to develop possible models for Vermont's Exchange, to help analyze key policy and fiscal issues, and to assist in the determination of staffing and contracting needs to operate the Exchange. Such analysis would inform decisions on whether specific functions should be performed by existing state entities, by newly created state entities, or by outside entities. The consultant would also assist in answering other questions, such as whether a Basic Health Program would be advantageous in Vermont, the pros and cons of potential design options for the SHOP function, how the ACA employer assessment would affect Vermont's existing employer assessment, and how existing Catamount Health and employer-sponsored insurance premium assistance programs would fit or not fit into the new structure. It is our intent to leverage our current strengths and resources, while maximizing our opportunities to improve health care delivery and financing infrastructure. Finally, the consultant would assist in the development of an implementation plan for the chosen program design.

e. Governance

Vermont is well positioned, because of the structure of its current programs, to operate the Exchange as a state-run entity. Currently, we believe that a state-run Exchange will likely be more efficient, more fully integrated with existing health care programs, more responsive to consumer needs, and less administratively expensive than an Exchange operated by an independent nonprofit organization. Nonetheless, such assumptions must be tested, and we hope to use Exchange planning grants for such analysis.

Assess models and approaches to the Exchange: As noted above, we intend to contract with a consultant to help us determine the actual governance structure for the Exchange and answer questions such as: 1) Should the Exchange be operated by the state or an independent nonprofit? 2) Should the Exchange be an independent state agency, or should it reside within an existing agency? 3) Should the Exchange have a board of directors? If so, what will be its composition and how will members be appointed? 4) How should the Exchange be regulated? Our intention is that the consultant with whom we contract to develop a governance structure will also be examining needed resources, such as staff and contracts.

f. Finance

Obviously, with the structure of the Exchange and the related functions performed by different governmental entities still the subject of inquiry, specific plans relating to the financing features of the Exchange, as well as the financial sustainability of the Exchange itself, remain very much in flux. However, Vermont has identified sustainable funding of the Exchange as one of the most important decision points, and we expect it to be a primary factor in many choices made relating to the infrastructure and features of the

Exchange. Furthermore, we expect there will be numerous finance-related features, as noted in the grant application, which will need to be developed regardless of the final organizational approach developed for performing Exchange functions, including functions to minimize potential waste, fraud, and abuse

Formal study of sustainable Exchange funding: Vermont expects to contract with a consultant or group of consultants to model different potential funding mechanisms associated with the Exchange, with a particular emphasis on not increasing health care costs or the financial burden borne by Vermonters supporting the health care delivery and health care financing systems. We anticipate a great deal of stakeholder input in designing such a study and formulating the appropriate questions and criteria associated with the decision-making process.

Design and Development of Exchange Financial Functions: In addition to the issues associated with the financing of the Exchange, the Exchange, or an entity on behalf of the Exchange, will need to perform a variety of finance-related functions identified in the grant application, such as developing accounting and auditing standards, creating transparency and reporting mechanisms for the public, and developing mechanisms and infrastructure to comply with federal reporting requirements. We may also want to develop "aggregator" functions to help small businesses make the most of the Exchange and its features. It would be our hope to contract with one or more vendors to identify the pros and cons of various design options for these and related functionalities. Development and design should happen as soon as sufficient planning has occurred; it would be our hope that certain functionalities could be created prior to a final organizational Exchange design.

Measure the cost of state mandates: As part of our planning process, Vermont will need to assess the cost of state mandates if such mandates are not included in the federal "essential health benefits" definition. The assessment of such costs will be a key piece of data necessary for the Legislature to determine whether such mandates should continue to be supported, or whether such mandates are no longer appropriate in light of new financial realities.

g. Technical Infrastructure

Vermont has issued an RFP to procure and install essential components of a service oriented architectural design as a foundation for its new eligibility system, known as the Vermont Integrated Workflow Eligibility System, or VIEWS. VIEWS will include automated support for all Vermont's health care programs, as well as other assistance programs such as TANF and SNAP. We anticipate having the infrastructure components in place by the spring of 2011. In early 2011 Vermont will issue an RFP for an implementation vendor, with a target of the summer of 2012 for a fully operational eligibility system.

We anticipate leveraging VIEWS (which will be developed with a focus on flexibility) to incorporate Exchange functions in the new eligibility system. Additionally, there are numerous Exchange-related technology requirements, such as the web portal and voice response system, for which we will need to procure vendors to design and install; however, this activity will most likely occur in 2011. We may build on our current Green Mountain Care website or create an entirely new web portal. Although we currently employ voice response technology in our current call center, we will most likely

need to procure more sophisticated technology to process phone applications efficiently and in a consumer-friendly manner.

h. Business Operations

The nature of the Exchange business operations will necessarily be dependent on numerous other decision points which have been discussed in other parts of this application. For example, at this time, it is anticipated that eligibility determinations will be made utilizing an enhanced version of DVHA's eligibility systems, as that would appear to be the most efficient (and least expensive) option. It is currently anticipated that such a system would be run through DVHA, with the Exchange web portal being one of the primary ways in which individuals learn about eligibility options. However, technical assessments and additional planning may reveal that this is not the most effective way perform this function and, as such, business operations housed within the Exchange would be modified accordingly. Vermont has made similar assumptions relating to the other Exchange features noted in the grant application in relation to business operations, such as eligibility determination (DVHA), quality rating systems (BISHCA), rate review (BISHCA), premium credits/cost sharing (the Exchange), and risk adjustment (BISHCA). Again, these functions may be performed by the entity named above, or may change as study reveals better solutions.

i. Regulatory and Policy Actions

DVHA and BISHCA intend to introduce legislation in January 2011 that will facilitate the process of developing an Exchange design. Although much planning remains to be done, we currently anticipate such legislation will define specific overarching policy goals that an Exchange design must accomplish, as well as fund a

small number of Exchange-dedicated employees to serve as the first phase in building the infrastructure. Ongoing legal analysis at BISHCA will assess what regulatory and statutory changes should be made to maximize the effectiveness of the private insurance market (including the Exchange) going forward. Some of this legislation may be proposed in 2011, but likely more of these changes will be proposed for the 2012 legislative session. Programmatic and legal analysis at DVHA will be necessary to examine current and future benefit programs, as well as how to best enhance the numerous delivery and IT health reform activities already ongoing in light of federal initiatives. Except for possibly covering some of the cost of current state employees, at this time it is not expected grant funding would be used for such analysis.

Conclusion

Vermont is seeking $1 million in grant funding to support the collaborative activities identified above in order to ensure the best possible health insurance Exchange for Vermonters.